



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

Shannon for Congress Committee
c/o Joseph A. Gyarmathy
3540 Seven Bridges #150
Box 133
Woodridge, IL 60517

FEB 04 2009

RE: MUR 6150
Shannon for Congress Committee
and Joseph A. Gyarmathy, in his
official capacity as treasurer

Dear Mr. Gyarmathy:

In the normal course of carrying out its supervisory responsibilities, the Federal Election Commission (the "Commission") became aware of information suggesting the Shannon for Congress Committee ("Committee") and you, in your official capacity as treasurer, may have violated the Federal Election Campaign Act of 1971, as amended (the "Act"). On December 18, 2008, the Commission found reason to believe that the Committee and you, in your official capacity as treasurer, violated 2 U.S.C. §§ 441b(a), 434(b) and 432(d), provisions of the Act. Enclosed is the Factual and Legal Analysis that sets forth the basis for the Commission's determination. You may submit any factual or legal materials to the Office of the General Counsel that you believe are relevant to the Commission's consideration of this matter.


We have also enclosed a brief description of the Commission's procedures for handling possible violations of the Act. In addition, please note that you have a legal obligation to preserve all documents, records and materials relating to this matter until such time as you are notified that the Commission has closed its file in this matter. See 18 U.S.C. § 1519. In the meantime, this matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A), unless you notify the Commission in writing that you wish the investigation to be made public.

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If you intend to be represented by counsel in this matter, please advise the Commission by completing the enclosed Designation of Counsel form stating the name, address, and telephone number of such counsel, and authorizing such counsel to receive any notifications and other communications from the Commission.

We look forward to your response.

On behalf of the Commission,


Steven T. Walther
Chairman

Enclosures
Factual and Legal Analysis
Procedures

cc: candidate

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FEDERAL ELECTION COMMISSION

FACTUAL AND LEGAL ANALYSIS

RESPONDENTS: Joseph Shannon for Congress Committee MUR: 6150
and Joseph A. Gyarmathy,
in his official capacity as treasurer

I. GENERATION OF MATTER

This matter was generated based on information ascertained by the Federal Election Commission ("the Commission") in the normal course of carrying out its supervisory responsibilities. See 2 U.S.C. § 437g(a)(2).

II. FACTUAL AND LEGAL ANALYSIS

A. Background

The activity of the Joseph Shannon for Congress Committee and Joseph A. Gyarmathy, in his official capacity as treasurer ("Committee" or "JSCC"), in 2006 included (1) Receipt of Prohibited Contributions, (2) Misstatement of Financial Activity, (3) Failure to Adequately Disclose Disbursements, and (4) Failure to Preserve Records.

B. Receipt of Prohibited Corporate Contributions

The Federal Election Campaign Act of 1971, as amended ("the Act"), prohibits the making and knowing receipt of corporate contributions. See 2 U.S.C. § 441b(a). The Audit staff reviewed all contributions received by JSCC and identified six contributions totaling \$3,350 from corporations. JSCC agreed to refund these contributions, provided copies of the refund checks and, subsequent to Audit's preparation of the Final Audit Report, demonstrated that all of the refund checks had been negotiated. Therefore, there is reason to believe that Joseph Shannon

1 for Congress Committee and Joseph A. Gyarmathy, in his official capacity as treasurer, violated
2 2 U.S.C. § 441b(a).

3 **C. Misstatement of Financial Activity**

4 Each treasurer of a political committee must file reports of receipts and disbursements
5 with the Commission. 2 U.S.C. § 434(a); 11 C.F.R. § 104.1. These reports must accurately
6 reflect the committee's cash on hand, receipts, and disbursements, and certain transactions
7 require itemization on Schedule A (Itemized Receipts) or Schedule B (Itemized Disbursements).
8 2 U.S.C. § 434(b)(1), (2), (3), (4), and (5).

9 Audit staff reconciled JSCC's reported financial activity to its bank records for 2006.
10 The Committee misstated its receipts, disbursements, and cash-on-hand balances. The
11 Committee overstated its total receipts by \$10,162, overstated its total disbursements by \$19,564,
12 and understated its year-end balance by \$17,582. The overstatement of receipts comprised
13 \$5,200 of in-kind contributions not reported, \$23,154 in reported receipts not supported by a
14 deposit or credit, \$7,047 of receipts that were not reported, and \$745 of the understatement was
15 unexplained. The overstatement of disbursements comprised \$5,200 of unreported in-kind
16 contributions, \$18,612 of operating expenditures that were not reported, an incorrectly reported
17 \$270 disbursement, \$44,024 of reported disbursements that were not supported by a check or
18 debit, and \$378 of unexplained understatement. Audit staff presented this matter to JSCC and
19 JSCC staff subsequently filed amended reports. Therefore, there is reason to believe that Joseph
20 Shannon for Congress Committee and Joseph A. Gyarmathy, in his official capacity as treasurer,
21 violated 2 U.S.C. § 434(b).

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D. Inadequate Disclosure of Disbursements

When operating expenditures to the same person exceed \$200 in an election cycle, the committee must report the amount of the expenditures, the date when the expenditures were made, the name and address of the payee, and a brief description of the purpose of the expenditure. See 2 U.S.C. § 434(b)(5)(A) and 11 C.F.R. § 104.3(b)(4)(i). For 56 disbursements (totaling \$160,391) that were over \$200 and, therefore, required itemization, JSCC failed to disclose any purpose whatsoever, and/or failed to disclose a payee address or disclosed a payee address that was inaccurate, in violation of 2 U.S.C. § 434(b)(5)(A). Audit staff presented this matter to JSCC and JSCC staff subsequently filed amended reports. Therefore, there is reason to believe that Joseph Shannon for Congress Committee and Joseph A. Gyarmathy, in his official capacity as treasurer, violated 2 U.S.C. § 434(b).

E. Failure to Preserve Records

For contributions in excess of \$50, committees must maintain a photocopy or digital image of the check or written instrument. 11 C.F.R. § 102.9(a)(4). Additionally, these records must be preserved for 3 years after a report is filed. 2 U.S.C. § 432(d). As part of its review of JSCC's receipts, Audit staff discovered that JSCC failed to maintain copies of contributor checks, as required, for 35 contributions totaling \$30,775, mostly from checks received shortly after JSCC's inception. JSCC stated that copies of these contributor checks were either not made or misplaced and that it has exhausted its efforts to obtain copies of the missing checks. Therefore, there is reason to believe that Joseph Shannon for Congress Committee and Joseph A. Gyarmathy, in his official capacity as treasurer, violated 2 U.S.C. § 432(d).

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